

MERIDIAN PUBLIC SCHOOLS

SANFORD, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 10, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Meridian Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Meridian Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public Schools as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated August 10, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II – VIII and 17 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meridian Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Meridian Public Schools, a K-12 school District located in Midland County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Meridian Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Meridian Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

NET ASSETS SUMMARY

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets	\$5,062,283	\$4,520,358
Non-Current Assets	<u>15,517,710</u>	<u>16,067,281</u>
<u>TOTAL ASSETS</u>	<u>\$20,579,993</u>	<u>\$20,587,639</u>
<u>LIABILITIES</u>		
Current Liabilities	\$4,697,949	\$4,017,481
Long-Term Liabilities	<u>7,995,236</u>	<u>8,288,307</u>
Total Liabilities	\$12,693,185	\$12,305,788
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	7,501,876	7,977,676
Restricted - Debt Service	289,996	292,963
Unrestricted	<u>94,936</u>	<u>11,212</u>
Total Net Assets	<u>\$7,886,808</u>	<u>\$8,281,851</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$20,579,993</u>	<u>\$20,587,639</u>

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$732,524	\$930,987
Property Taxes Levied for Debt Service	700,449	676,744
State of Michigan Unrestricted Foundation Aid	8,942,499	9,039,172
Other General Revenues	<u>181,111</u>	<u>100,206</u>
Total General Revenues	\$10,556,583	\$10,747,109
<u>Operating Grants:</u>		
Federal	682,374	791,503
State of Michigan	988,027	1,060,942
Other Operating Grants	<u>349,610</u>	<u>361,524</u>
Total Operating Grants	\$2,020,011	\$2,213,969
<u>Charges for Services:</u>		
Food Service	248,834	249,546
Athletics	44,903	49,038
Other Charges for Services	<u>218,199</u>	<u>205,322</u>
Total Charges for Services	\$511,936	\$503,906
Total Revenues	\$13,088,530	\$13,464,984
<u>EXPENSES</u>		
Instruction & Instructional Support	7,290,315	7,214,282
Support Services	4,309,973	4,440,699
Community Services	238,130	161,518
Food Service	514,769	539,920
Athletics	201,552	208,185
Other Capital Outlay	264,635	0
Interest on Long-Term Debt	418,354	503,653
Depreciation	<u>245,845</u>	<u>195,028</u>
Total Expenses	\$13,483,573	\$13,263,285
<u>INCREASE IN NET ASSETS</u>	(\$395,043)	\$201,699
<u>BEGINNING NET ASSETS</u>	<u>8,281,851</u>	<u>8,080,152</u>
<u>ENDING NET ASSETS</u>	<u><u>\$7,886,808</u></u>	<u><u>\$8,281,851</u></u>

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets decreased by \$395,043 to a total of \$7,886,808. The largest portion of the net assets are the districts investment in capital assets. Net assets invested in capital assets net of related debt decreased by \$475,800 during the year due to depreciation and principal payments on related debt exceeded the purchases of new capital assets. The districts Unrestricted Net Assets increased by \$83,724 during the year and the restricted portion of the net assets decreased by \$2,967. The restricted Net Assets consist of the Investment in Capital Assets net of related debt, and the restricted debt retirement funds and may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$395,043. The total revenues decreased by \$376,454 or 3% over last years amounts. The major changes were a reduction in property tax revenue and state aid. Expenses increased by \$220,288 or 2% over last year. Major changes were the purchase of capital outlay items under the \$5,000 capitalization threshold that were expended.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows , and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$57,688 during the year with the increase coming primarily in cash. Revenues for the year decreased by \$340,811 primarily from a decrease in state aid. Expenditures and other financing uses decreased by \$237,144 as increases in salaries and fringe benefits were offset by a reduction of personnel and transfers to food service and capital outlay funds. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Meridian Public Schools foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.

3. Student Enrollment:

The District's student enrollment for the fall count of 2003-2004 was 1,536 students. A decrease of 21 students from the prior year.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$981,605. An increase of \$50,617 from the prior year.

Capital Projects Fund

The districts Capital projects fund balance decreased by \$264,378 as the construction project was completed. The only revenue for the year was \$257 of investment earnings.

Debt Retirement Fund

The districts debt retirement fund balance decreased by \$2,967. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$705,824 in paying the required interest and principal payments of the schools bonded debt. The majority of the funds revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2003-2004, the District's debt millage levy was \$2.8574 mills that generated revenue of \$700,449. An increase of \$23,705 from the prior year.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$45,509. Food service fund revenue decreased by \$11,656, primarily from a reduction of \$47,884 of transfers from the general fund and an increase in federal revenue of \$2,110. Food service expenditures decreased by approximately \$18,000 in purchased services. Athletic fund fund balance increased by \$3,840, primarily from an increase in transfers from general fund.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual & Original Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$11,791,961	\$11,803,468	\$11,802,212	0.09	(0.01)
Expenditures	11,792,752	11,780,853	11,744,524	0.41	0.31
<u>TOTAL</u>	<u>(\$791)</u>	<u>\$22,615</u>	<u>\$57,688</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Meridian Public Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	<u>Principal Balance 7-01-03</u>	<u>Increases 6-30-04</u>	<u>Principal Payments 6-30-04</u>	<u>Principal Balance 6-30-04</u>
Bonds Payable	\$8,285,822	\$0	\$285,000	\$8,000,822
Bus Notes Payable	31,027	0	16,015	15,012
Capital Leases Payable	37,132	0	37,132	0
Compensated Absences	160,307	23,940	0	184,247
Unpaid Sick Days Payable	112,166	0	1,999	110,167
<u>Total Long-Term Bond Obligations</u>	<u>\$8,626,454</u>	<u>\$23,940</u>	<u>\$340,146</u>	<u>\$8,310,248</u>

In 2000, Meridian voters approved a \$8.330 million, general obligation, bond issue. The proceeds from that bond issue were used for constructing additions to and partial remodeling of existing school facilities, and equipping and re-equipping facilities. This capital project was substantially completed in the fiscal year ended June 30, 2003 and finalized during the fiscal year ended June 30, 2004.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION: (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$7,161,644 because of the completion of the construction and equipping of the new junior high school during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$15,985,128	\$7,719,215	\$0	\$23,704,343
Less: Accumulated Depreciation	(7,629,062)	(557,571)	0	(8,186,633)
<u>Net Investment Capital Outlay</u>	<u>\$8,356,066</u>	<u>\$7,161,644</u>	<u>\$0</u>	<u>\$15,517,710</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Meridian Public Schools.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	Governmental Activities	
	2004	2003
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$3,172,948	\$2,693,559
Accounts Receivable	18,558	31,361
Due from Other Governmental Units	1,861,778	1,789,675
Inventory	8,999	5,763
Total Current Assets	<u>\$5,062,283</u>	<u>\$4,520,358</u>
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	0	7,711,215
Capital Assets	23,704,343	15,985,128
Less: Accumulated Depreciation	(8,186,633)	(7,629,062)
Total Noncurrent Assets	<u>\$15,517,710</u>	<u>\$16,067,281</u>
<u>TOTAL ASSETS</u>	<u>\$20,579,993</u>	<u>\$20,587,639</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	76,753	140,554
State Aid Note Payable	2,900,000	2,600,000
Salaries Payable	597,836	469,694
Accrued Expenses	544,539	469,086
Deferred Revenue	263,809	0
Current Portion of Long-Term Obligations	315,012	338,147
Total Current Liabilities	<u>\$4,697,949</u>	<u>\$4,017,481</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>7,995,236</u>	<u>8,288,307</u>
<u>TOTAL LIABILITIES</u>	<u>\$12,693,185</u>	<u>\$12,305,788</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	7,501,876	7,977,676
Restricted for:		
Debt Service	289,996	292,963
Unrestricted	94,936	11,212
<u>TOTAL NET ASSETS</u>	<u>\$7,886,808</u>	<u>\$8,281,851</u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2004 AND 2003

FUNCTIONS/PROGRAMS	2004			2003
	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:				Net (Expense) Revenue & Change in Net Assets
Instruction	\$7,290,315	\$0	\$1,623,022	(\$5,667,293)
Support Services	4,309,973	218,199	120,555	(3,971,219)
Community Services	238,130	0	0	(238,130)
Food Service	514,769	248,834	276,434	10,499
Athletics	201,552	44,903	0	(156,649)
Interest on Long-Term Obligations	418,354	0	0	(418,354)
Other Capital Outlay	264,635	0	0	(264,635)
Depreciation - Unallocated	245,845	0	0	(245,845)
<u>TOTALS</u>	<u>\$13,483,573</u>	<u>\$511,936</u>	<u>\$2,020,011</u>	<u>(\$10,951,626)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,432,973
State Aid				8,942,499
Investment Earnings				16,964
Miscellaneous				164,147
Total General Revenues and Transfers				<u>\$10,556,583</u>
Change in Net Assets				<u>(\$395,043)</u>
Net Assets - Beginning - As Restated				<u>8,281,851</u>
<u>Net Assets - Ending</u>				<u>\$7,886,808</u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$2,857,628	\$315,320	\$3,172,948
Accounts Receivable	18,026	532	18,558
Due from Other Governmental Units	1,861,778	0	1,861,778
Due from Other Funds	12,958	82,162	95,120
Inventory	0	8,999	8,999
<u>TOTAL ASSETS</u>	<u>\$4,750,390</u>	<u>\$407,013</u>	<u>\$5,157,403</u>
<u>LIABILITIES</u>			
Accounts Payable	\$72,641	\$4,112	\$76,753
State Anticipation Note Payable	2,900,000	0	2,900,000
Due to Other Funds	82,162	12,958	95,120
Salaries Payable	597,836	0	597,836
Accrued Expenses	477,001	0	477,001
Deferred Revenue	263,809	0	263,809
Total Liabilities	\$4,393,449	\$17,070	\$4,410,519
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	8,999	8,999
Debt Retirement	0	289,996	289,996
Unreserved:			
Undesignated, Reported In:			
General Fund	356,941	0	356,941
School Service Funds	0	90,948	90,948
Total Fund Balances	\$356,941	\$389,943	\$746,884
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,750,390</u>	<u>\$407,013</u>	<u>\$5,157,403</u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:		\$746,884
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$23,696,343 and the accumulated depreciation is \$8,186,633		15,517,710
Accrued Interest on Long-Term Debt		(67,538)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$8,000,822	
Bus Note Payable	15,012	
Compensated Absences Payable	294,414	
Total Long-Term Liabilities		<u>(8,310,248)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$7,886,808</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$1,149,340	\$1,009,884	\$2,159,224
State Sources	9,899,190	31,336	9,930,526
Federal Sources	437,276	245,098	682,374
Total Revenues	\$11,485,806	\$1,286,318	\$12,772,124
<u>EXPENDITURES</u>			
Current:			
Instruction	7,175,142	0	7,175,142
Student Services	523,734	0	523,734
Instructional Support	210,550	0	210,550
General Administration	317,768	0	317,768
School Administration	693,663	0	693,663
Business Administration	202,316	0	202,316
Operation & Maintenance of Plant	1,058,818	0	1,058,818
Transportation	701,417	0	701,417
Support Services - Other	218,721	0	218,721
Community Services	238,130	0	238,130
Food Service	0	681,186	681,186
Debt Service	0	705,824	705,824
Capital Outlay	0	264,635	264,635
Total Expenditures	\$11,340,259	\$1,651,645	\$12,991,904
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$145,547	(\$365,327)	(\$219,780)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(143,491)	143,491	0
Other Transfers	55,632	0	55,632
Total Other Financing Sources (Uses)	(\$87,859)	\$143,491	\$55,632
Net Change in Fund Balance	\$57,688	(\$221,836)	(\$164,148)
<u>FUND BALANCE - BEGINNING</u>	299,253	611,779	911,032
<u>FUND BALANCE - ENDING</u>	\$356,941	\$389,943	\$746,884

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	(\$164,148)
--------------------------------------------------------	-------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(549,571)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	338,147
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Change in accrued interest on long-term liabilities	2,470
-----------------------------------------------------	-------

Increase in accrued compensated absences	<u>(21,941)</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$395,043)</u></u>
--------------------------------------------------------	---------------------------

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$78,457</u>
<u>TOTAL ASSETS</u>	<u><u>\$78,457</u></u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$78,457</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$78,457</u></u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Meridian Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with a generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2003, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Undeposited Cash – At June 30, 2004, the School District had \$200 of petty cash on hand which is included as part of "cash and cash equivalents."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Chemical Bank. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$3,251,405 and the bank balance was \$3,388,171. \$557,016 of the bank balance was covered by federal depository insurance and \$2,831,155 was uninsured and uncollateralized.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

At June 30, 2004, the District had no investments.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,757,085
Federal	104,693
<u>TOTAL</u>	<u>\$ 1,861,778</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the School District had estimated claims of \$918 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$2,900,000 at 1.29% interest per annum on July 1, 2003, from Chemical Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid July 1, 2004.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$10,937,047	\$6,671,611	\$0	\$17,608,658
Land Improvements	953,499	0	0	953,499
Equipment and Furniture	2,922,344	1,039,604	0	3,961,948
Vehicles	1,172,238	8,000	0	1,180,238
Totals at Historical Cost	\$15,985,128	\$7,719,215	\$0	\$23,704,343
Less: Accumulated Depreciation				
Buildings and Improvements	(4,158,859)	(230,546)	0	(4,389,405)
Land Improvements	(500,231)	(36,390)	0	(536,621)
Equipment and Furniture	(1,926,522)	(243,249)	0	(2,169,771)
Vehicles	(1,043,450)	(47,386)	0	(1,090,836)
Total Accumulated Depreciation	<u>(\$7,629,062)</u>	<u>(\$557,571)</u>	<u>\$0</u>	<u>(\$8,186,633)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$8,356,066</u>	<u>\$7,161,644</u>	<u>\$0</u>	<u>\$15,517,710</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 115,173
Support Services	161,418
Food Service	7,709
Athletics	27,426
Unallocated	<u>245,845</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 557,571</u>

10) FUND EQUITY RESTATEMENT

For the fiscal year ended June 30, 2004, net assets beginning of year has been restated due a change in net fixed assets as follows:

Net Assets – July 1, 2003 – Before Restatement	\$ 8,137,396
Deduction to Net Fixed Assets	<u>(57,244)</u>
<u>NET ASSETS – JULY1, 2003 – AS RESTATED</u>	<u>\$ 8,080,152</u>

11) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$125,300 and the School District received a dividend refund of \$13,869.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12) GENERAL LONG-TERM DEBT

A) Bus Notes Payable

Meridian Public Schools is indebted to Chemical Bank & Trust Company for the purchase of a school bus. The note originated June 30, 1999 in the total amount of \$90,646, bearing interest at 4.99% per annum. The note calls for annual principal payments of \$18,356, including interest beginning June 30, 1999. The balance on the note at June 30, 2004 was \$15,012.

B) Capital Leases Payable

Meridian Public Schools is indebted to Chemical Bank & Trust Company for the purchase of two portable classrooms. The leases originated August 25, 1998 in the total amount of \$168,000, bearing interest at 5.27% per annum. The two leases call for annual principal payments of \$20,245 and \$18,849 including interest, respectively beginning August 25, 1999. The capital leases were paid in full during the year.

C) General Obligation Bonds Payable

Meridian Public Schools has issued general obligation bonds for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping the Junior High School, and developing and improving the site; acquiring, installing and equipping education technology for the Junior High School; and partially remodeling school buildings. These bonds were authorized on August 21, 2000 in the amount of \$8,330,000 bearing interest at rates varying from 5.20% to 5.25% per annum. At June 30, 2004, the balance was \$7,730,000.

D) Durant Resolution Package Bonds

Meridian Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$423,911 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$270,822. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

E) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2003 are as follows:

	BONDS PAYABLE	NOTES PAYABLE	INTEREST	TOTAL
June 30, 2005	\$300,000	\$15,012	\$405,226	\$720,238
June 30, 2006	335,519	0	398,722	734,241
June 30, 2007	356,491	0	381,211	737,702
June 30, 2008	377,520	0	362,599	740,119
June 30, 2009	403,592	0	342,889	746,481
June 30, 2010-2014	2,447,700	0	1,416,080	3,863,780
June 30, 2015-2019	3,055,000	0	690,376	3,745,376
June 30, 2020	725,000	0	38,057	763,057
<u>TOTAL</u>	<u>\$8,000,822</u>	<u>\$15,012</u>	<u>\$4,035,160</u>	<u>\$12,050,994</u>

The payment dates of vacation days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2004, were \$422,802.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12) GENERAL LONG-TERM DEBT (Continued)

F) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2003	ADDITIONS	DEDUCTIONS	JUNE 30, 2004	IN ONE YEAR
Bonds Payable	\$8,285,822	\$0	\$285,000	\$8,000,822	\$300,000
Bus Notes Payable	31,027	0	16,015	15,012	15,012
Capital Leases Payable	37,132	0	37,132	0	0
Compensated Absences	160,307	23,940	0	184,247	0
Unpaid Vacation Days	112,166	0	1,999	110,167	0
<u>Total Governmental Activities</u>	<u>\$8,626,454</u>	<u>\$23,940</u>	<u>\$340,146</u>	<u>\$8,310,248</u>	<u>\$315,012</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE FROM				
DUE TO	GENERAL	SPECIAL	DEBT	
	FUND	REVENUE	RETIREMENT	TOTAL
General Fund	\$0	\$25,287	\$56,875	\$82,162
Special Revenue Fund	12,522	0	0	12,522
Debt Retirement Fund	436	0	0	436
<u>TOTAL</u>	<u>\$12,958</u>	<u>\$25,287</u>	<u>\$56,875</u>	<u>\$95,120</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	GENERAL FUND
Athletics Fund	<u>\$143,491</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$904,064, \$946,285 and \$910,587, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Title I grant. This program is subject to program compliance audits. The audit of this program for and including the year ended June 30, 2004, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENT

The District has approved borrowing \$2,100,000 at a interest rate of 1.74% from Chemical Bank to meet cash flow needs for the 2004-2005 fiscal year.

REQUIRED
SUPPLEMENTARY
INFORMATION

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,186,125	\$1,273,047	\$1,149,340	(\$123,707)
State Sources	9,666,305	9,703,945	9,899,190	195,245
Federal Sources	555,834	462,030	437,276	(24,754)
Total Revenues	\$11,408,264	\$11,439,022	\$11,485,806	\$46,784
<u>EXPENDITURES</u>				
Current:				
Instruction	7,203,457	7,219,644	7,175,142	44,502
Student Services	532,902	521,533	523,734	(2,201)
Instructional Support	230,667	216,581	210,550	6,031
General Administration	287,361	300,855	317,768	(16,913)
School Administration	686,885	670,085	693,663	(23,578)
Business Administration	184,716	203,886	202,316	1,570
Operation & Maintenance of Plant	1,037,621	1,094,215	1,058,818	35,397
Transportation	802,173	703,359	701,417	1,942
Support Services - Other	222,287	215,055	218,721	(3,666)
Community Services	201,353	241,584	238,130	3,454
Total Expenditures	\$11,389,422	\$11,386,797	\$11,340,259	\$46,538
Excess of Revenues Over Expenditures	\$18,842	\$52,225	\$145,547	\$93,322
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds	(19,633)	(29,610)	(87,859)	(58,249)
Net Change in Fund Balance	(\$791)	\$22,615	\$57,688	\$35,073
<u>FUND BALANCE - BEGINNING</u>			299,253	
<u>FUND BALANCE - ENDING</u>			\$356,941	

OTHER SUPPLEMENTAL
INFORMATION

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$81,763	\$233,557	\$0	\$315,320
Accounts Receivable	532	0	0	532
Due from Other Funds	25,287	56,875	0	82,162
Inventory	8,999	0	0	8,999
<u>TOTAL ASSETS</u>	<u>\$116,581</u>	<u>\$290,432</u>	<u>\$0</u>	<u>\$407,013</u>
<u>LIABILITIES</u>				
Accounts Payable	\$4,112	\$0	\$0	\$4,112
Due to Other Funds	12,522	436		12,958
Total Liabilities	\$16,634	\$436	\$0	\$17,070
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	8,999	0	0	8,999
Debt Retirement	0	289,996	0	289,996
Unreserved:				
Undesignated, Reported In:				
School Service Fund	90,948	0	0	90,948
Total Fund Balances	\$99,947	\$289,996	\$0	\$389,943
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$116,581</u>	<u>\$290,432</u>	<u>\$0</u>	<u>\$407,013</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$306,770	\$702,857	\$257	\$1,009,884
State Sources	31,336	0	0	31,336
Federal Sources	245,098	0	0	245,098
Total Revenues	\$583,204	\$702,857	\$257	\$1,286,318
<u>OTHER FINANCING SOURCES (USES)</u>	143,491	0	0	143,491
Total Revenues & Other Financing Sources	\$726,695	\$702,857	\$257	\$1,429,809
<u>EXPENDITURES</u>				
Food Service	681,186	0	0	681,186
Debt Service	0	705,824	0	705,824
Capital Outlay	0	0	264,635	264,635
Total Expenditures	\$681,186	\$705,824	\$264,635	\$1,651,645
Net Change in Fund Balance	\$45,509	(\$2,967)	(\$264,378)	(\$221,836)
<u>NET ASSETS - BEGINNING</u>	54,438	292,963	264,378	611,779
<u>NET ASSETS - ENDING</u>	\$99,947	\$289,996	\$0	\$389,943

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$41,080	\$40,683	\$81,763
Accounts Receivable	532	0	532
Due from Other Funds	25,287	0	25,287
Inventory	8,999	0	8,999
<u>TOTAL ASSETS</u>	<u>\$75,898</u>	<u>\$40,683</u>	<u>\$116,581</u>
<u>LIABILITIES</u>			
Accounts Payable	\$4,112	\$0	\$4,112
Due to Other Funds	12,522	0	12,522
Total Liabilities	\$16,634	\$0	\$16,634
<u>FUND EQUITY</u>			
Fund Balance - Reserved for Inventory	8,999	0	8,999
Fund Balance - Unreserved and Undesignated	50,265	40,683	90,948
Total Fund Equity	\$59,264	\$40,683	\$99,947
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$75,898</u>	<u>\$40,683</u>	<u>\$116,581</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$248,834	\$0	\$248,834
Athletic Activities	0	44,903	44,903
Earnings on Investments and Deposits	126	82	208
Other Local Revenues	12,665	160	12,825
Total Local Sources	<u>\$261,625</u>	<u>\$45,145</u>	<u>\$306,770</u>
<u>State Sources</u>			
State Reimbursements	31,336	0	31,336
<u>Federal Sources</u>			
Commodities	23,343	0	23,343
Federal Reimbursements	221,755	0	221,755
Total Federal Sources	<u>\$245,098</u>	<u>\$0</u>	<u>\$245,098</u>
Total Revenues	<u>\$538,059</u>	<u>\$45,145</u>	<u>\$583,204</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	143,491	143,491
Total Revenues and Other Financing Sources	<u>\$538,059</u>	<u>\$188,636</u>	<u>\$726,695</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	32,450	32,450
Salaries - Non-Professional	180,345	87,091	267,436
Insurance	37,926	0	37,926
Fica, Retirement, Etc.	40,026	23,950	63,976
Purchased Services	27,554	17,126	44,680
Supplies and Materials	220,762	13,509	234,271
Other	447	0	447
Total Expenditures	<u>\$507,060</u>	<u>\$174,126</u>	<u>\$681,186</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$30,999</u>	<u>\$14,510</u>	<u>\$45,509</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$28,265</u>	<u>\$26,173</u>	<u>\$54,438</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$59,264</u>	<u>\$40,683</u>	<u>\$99,947</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	DEBT FUND 1988	DEBT FUND 2000	TOTALS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$436	\$233,121	\$233,557
Due From Other Funds	0	56,875	56,875
<u>TOTAL ASSETS</u>	<u>\$436</u>	<u>\$289,996</u>	<u>\$290,432</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$436	\$0	\$436
<u>FUND EQUITY</u>			
Fund Balance - Reserved - Debt Retirement	0	289,996	289,996
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$436</u>	<u>\$289,996</u>	<u>\$290,432</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	DEBT FUND 1988	DEBT FUND 2000	TOTAL AFTER INTERFUND ELIMINATIONS
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Tax Levy	\$0	\$700,449	\$700,449
Earnings on Investments and Deposits	35	2,373	2,408
Total Local Sources	<u>\$35</u>	<u>\$702,822</u>	<u>\$702,857</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Debt Funds	0	12,806	0
Total Revenues and Other Financing Sources	<u>\$35</u>	<u>\$715,628</u>	<u>\$702,857</u>
<u>EXPENDITURES</u>			
Redemption of Bond Principal	0	285,000	285,000
Interest on Bonded Debt	0	420,345	420,345
Other	0	479	479
Total Expenditures	<u>\$0</u>	<u>\$705,824</u>	<u>\$705,824</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Debt Funds	12,806	0	0
Total Expenditures and Other Financing Uses	<u>\$12,806</u>	<u>\$705,824</u>	<u>\$705,824</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>(\$12,771)</u>	<u>\$9,804</u>	<u>(\$2,967)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$12,771</u>	<u>\$280,192</u>	<u>\$292,963</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$289,996</u>	<u>\$289,996</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>DURANT</u>	<u>2000</u>	<u>TOTAL</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Earnings on Investments and Deposits	\$0	\$257	\$257
<u>EXPENDITURES</u>			
Capital Outlay	0	264,633	264,633
Other Expenses	2	0	2
Total Expenditures	<u>\$2</u>	<u>\$264,633</u>	<u>\$264,635</u>
<u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(\$2)</u>	<u>(\$264,376)</u>	<u>(\$264,378)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$2</u>	<u>\$264,376</u>	<u>\$264,378</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES FROM
Local Sources

Property Tax Levy	\$732,524
Earnings on Investments and Deposits	14,091
Tuition and Adult Education	1,300
Rentals	23,067
Child Care	193,832
Medbill	78,164
Other Local Revenues	106,362
Total Revenues from Local Sources	<u>\$1,149,340</u>

State Sources

State Aid	8,942,499
Special Education	540,604
Early Childhood	118,800
Drivers Education	6,929
Durant	42,391
State Aid - At Risk	247,967
Total Revenues from State Sources	<u>\$9,899,190</u>

Federal Sources

Title I	300,536
Title I Carryover	43,613
Title V	1,236
Technology Literacy Grant	8,664
Improving Teacher Quality	78,177
Drug Free Schools	5,050
Total Revenues from Federal Sources	<u>\$437,276</u>
Total Revenues	<u>\$11,485,806</u>

OTHER FINANCING SOURCES

Prior Year Adjustments	44,960
County Special Education Tax	271,446
Total Other Financing Sources	<u>\$316,406</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$11,802,212

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBASIC PROGRAMSMeridian Elementary

Salaries - Professional	\$811,637
Salaries - Non-Professional	57,078
Insurances	189,091
Fica, Retirement, Etc.	173,287
Other Benefits	100,000
Purchased Services	1,722
Supplies and Materials	28,799
Capital Outlay	2,795
Total Meridian Elementary	<u>\$1,364,409</u>

Sanford Elementary

Salaries - Professional	626,027
Salaries - Non-Professional	31,706
Insurances	129,776
Fica, Retirement, Etc.	136,827
Other Benefits	25,000
Purchased Services	529
Supplies and Materials	12,417
Capital Outlay	2,795
Other	550
Total Sanford Elementary	<u>\$965,627</u>

Junior High

Salaries - Professional	983,369
Salaries - Non-Professional	21,338
Insurances	210,280
Fica, Retirement, Etc.	207,903
Purchased Services	47
Supplies and Materials	28,535
Capital Outlay	2,795
Total Junior High	<u>\$1,454,267</u>

High School

Salaries - Professional	902,380
Salaries - Non-Professional	24,202
Insurances	222,838
Fica, Retirement, Etc.	190,424
Other Benefits	100,000
Purchased Services	5,930
Supplies and Materials	39,488
Capital Outlay	3,047
Other	1,276
Total High School	<u>\$1,489,585</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)BASIC PROGRAMS (Continued)Preschool

Salaries - Professional	\$37,137
Salaries - Non-Professional	39,440
Fica, Retirement, Etc.	15,563
Purchased Services	3,403
Supplies and Materials	4,942
Capital Outlay	16,593
Total Preschool	<u>\$117,078</u>

Total Basic Programs	\$5,390,966
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ADDED NEEDSSPECIAL EDUCATION

Salaries - Professional	711,969
Salaries - Non-Professional	103,128
Insurances	180,866
Fica, Retirement, Etc.	176,175
Purchased Services	5,831
Supplies and Materials	9,448
Capital Outlay	160
Other	419
Total Special Education	<u>\$1,187,996</u>

COMPENSATORY EDUCATION

Salaries - Professional	259,621
Salaries - Non-Professional	63,908
Insurances	64,166
Fica, Retirement, Etc.	63,574
Purchased Services	11,035
Supplies and Materials	11,994
Capital Outlay	13,782
Total Compensatory Education	<u>\$488,080</u>

VOCATIONAL EDUCATION

Purchased Services	<u>108,100</u>
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Total Added Needs	<u>\$1,784,176</u>
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Total Instruction	\$7,175,142
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MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES
STUDENT SERVICES

Salaries - Professional	\$350,047
Salaries - Non-Professional	25,194
Insurances	62,860
Fica, Retirement, Etc.	77,621
Purchased Services	535
Supplies and Materials	1,622
Other	5,855
Total Student Services	<u>\$523,734</u>

INSTRUCTIONAL STAFF

Salaries - Professional	111,598
Salaries - Non-Professional	27,823
Insurances	23,311
Fica, Retirement, Etc.	28,829
Purchased Services	7,682
Supplies and Materials	11,307
Total Instructional Staff	<u>\$210,550</u>

GENERAL ADMINISTRATION

Salaries - Professional	98,550
Salaries - Non-Professional	40,025
Insurances	20,689
Fica, Retirement, Etc.	47,727
Other Benefits	5,200
Purchased Services	90,054
Supplies and Materials	6,613
Capital Outlay	45
Other	8,865
Total General Administration	<u>\$317,768</u>

OFFICE OF THE PRINCIPAL

Salaries - Professional	329,050
Salaries - Non-Professional	167,467
Insurances	84,114
Fica, Retirement, Etc.	100,350
Purchased Services	5,782
Supplies and Materials	2,120
Other	4,780
Total Office of the Principal	<u>\$693,663</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)
BUSINESS OFFICE

Salaries - Non-Professional	\$61,363
Insurances	7,528
Fica, Retirement, Etc.	14,412
Other Benefits	1,658
Purchased Services	41,426
Supplies and Materials	3,883
Capital Outlay	33,674
Other	38,372
Total Business Office	<u>\$202,316</u>

OPERATION & MAINTENANCE

Salaries - Non-Professional	393,463
Insurances	116,594
Fica, Retirement, Etc.	97,399
Other Benefits	552
Purchased Services	355,055
Supplies and Materials	60,911
Capital Outlay	34,392
Other	452
Total Operation & Maintenance	<u>\$1,058,818</u>

TRANSPORTATION

Salaries - Professional	36,695
Salaries - Non-Professional	343,475
Insurances	76,543
Fica, Retirement, Etc.	91,078
Other Benefits	5,797
Purchased Services	(1,797)
Supplies and Materials	90,476
Capital Outlay	4,025
Other	55,125
Total Transportation	<u>\$701,417</u>

OTHER SUPPORT SERVICES

Salaries - Professional	53,670
Insurances	17,746
Fica, Retirement, Etc.	11,123
Purchased Services	136,017
Supplies and Materials	165
Total Other Support Services	<u>\$218,721</u>

Total Support Services	\$3,926,987
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MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

FOR THE YEAR ENDED JUNE 30, 2004

COMMUNITY SERVICES

Salaries - Non-Professional	\$172,653
Fica, Retirement, Etc.	35,388
Other Benefits	21,453
Purchased Services	3,666
Supplies and Materials	3,573
Other	1,397
Total Community Services	<u>\$238,130</u>

TOTAL EXPENDITURES

\$11,340,259

OTHER FINANCING USES

Transfers to Other Districts	260,774
Transfers to Athletics	143,491
Total Other Financing Uses	<u>\$404,265</u>

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$11,744,524

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

	DUE TO (FROM) STUDENT GROUPS JULY 1, 2003	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2004
<u>HIGH SCHOOL</u>				
Art Club	\$260	\$0	\$0	\$260
Band Trip	2,107	220	400	1,927
Band Uniforms	916	415	369	962
Baseball	2,795	2,779	1,726	3,848
Basketball	4,383	11,168	5,500	10,051
Cheerleaders	0	6,558	1,802	4,756
Choral Club	918	200	741	377
Class of 1999	20	0	0	20
Class of 2000	243	0	0	243
Class of 2001	15	125	100	40
Class of 2002	801	37	0	838
Class of 2003	300	651	951	0
Class of 2004	856	21,285	20,689	1,452
Class of 2005	1,431	7,415	8,482	364
Class of 2006	427	4,836	2,129	3,134
Class of 2007	0	2,237	1,036	1,201
Co-Op Student Activities	335	0	0	335
Drama	8,231	1,584	503	9,312
Football	242	2,012	2,244	10
General	5,513	17,993	14,551	8,955
Language	618	198	15	801
Meijer Community Awards	0	610	0	610
National Honor Society	0	17,754	16,270	1,484
Pep Club	54	0	0	54
S.A.D.D.	1,351	1,160	901	1,610
Shop Fees	275	1,125	266	1,134
Softball	1,771	1,040	935	1,876
Student Council	637	9,071	8,402	1,306
Teach for Tomorrow	1,470	6,396	4,479	3,387
Track	1,950	196	1,363	783
Volleyball	51	660	240	471
Wrestling Cookie Jar	3,306	3,639	5,649	1,296
Yearbook	7,782	21,961	24,203	5,540
Total High School	<u>\$49,058</u>	<u>\$143,325</u>	<u>\$123,946</u>	<u>\$68,437</u>
<u>Middle School</u>				
Junior High	2,258	35,639	36,982	915
<u>Elementary Schools</u>				
Hillside Elementary	22	0	22	0
Meridian Elementary	2,536	9,164	10,565	1,135
Meridian Elementary Student	6,688	13,934	18,349	2,273
Sanford Elementary	3,678	35,133	33,573	5,238
Meridian School Day Care	2,286	1,865	3,692	459
Total Elementary Schools	<u>\$15,210</u>	<u>\$60,096</u>	<u>\$66,201</u>	<u>\$9,105</u>
<u>TOTALS</u>	<u>\$66,526</u>	<u>\$239,060</u>	<u>\$227,129</u>	<u>\$78,457</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1998 DURANT RESOLUTION PACKAGE BONDS

Date of Issue - November 24, 1998

Original amount of issue - \$423,911

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2005	\$0	4.761353%	\$0	\$0
2006	20,519	4.761353%	9,250	29,769
2007	21,491	4.761353%	8,273	29,764
2008	22,520	4.761353%	7,249	29,769
2009	23,592	4.761353%	6,177	29,769
2010	24,714	4.761353%	5,054	29,768
2011	25,891	4.761353%	3,877	29,768
2012	103,682	4.761353%	36,793	140,475
2013	28,414	4.761353%	1,353	29,767
<u>TOTAL</u>	<u>\$270,823</u>		<u>\$78,026</u>	<u>\$348,849</u>

GENERAL OBLIGATION - 2000 SCHOOL BUILDING AND SITE BONDS

Date Authorized : August 21, 2000

Amount Authorized: \$8,330,000

	INTEREST RATE	PRINCIPAL AMOUNT	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	TOTAL
<u>PAYMENT DATE - MAY 15TH</u>					
2004-2005	5.25%	\$300,000	\$202,613	\$202,613	\$705,226
2005-2006	5.25%	315,000	194,738	194,736	704,474
2006-2007	5.25%	335,000	186,469	186,469	707,938
2007-2008	5.25%	355,000	177,675	177,675	710,350
2008-2009	5.25%	380,000	168,356	168,356	716,712
2009-2010	5.10%	400,000	158,381	158,381	716,762
2010-2011	5.25%	425,000	148,181	148,181	721,362
2011-2012	5.25%	450,000	137,025	137,025	724,050
2012-2013	5.25%	480,000	125,213	125,213	730,426
2013-2014	5.25%	510,000	112,613	112,613	735,226
2014-2015	5.25%	540,000	99,225	99,225	738,450
2015-2016	5.25%	575,000	85,050	85,050	745,100
2016-2017	5.25%	610,000	69,956	69,956	749,912
2017-2018	5.25%	645,000	53,944	53,944	752,888
2018-2019	5.25%	685,000	37,013	37,013	759,026
2019-2020	5.25%	725,000	19,028	19,029	763,057
<u>TOTAL</u>		<u>\$7,730,000</u>	<u>\$1,975,480</u>	<u>\$1,975,479</u>	<u>\$11,680,959</u>

MERIDIAN PUBLIC SCHOOLS

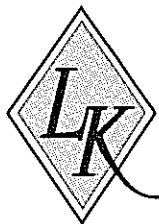
SANFORD, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

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August 10, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Meridian Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the Meridian Public Schools' basic financial statements and have issued our report thereon dated August 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Meridian Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Meridian Public Schools, in a separate letter dated August 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meridian Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Meridian Public Schools, in a separate letter dated August 10, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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August 10, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Meridian Public Schools

Compliance

We have audited the compliance of Meridian Public Schools with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Meridian Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Meridian Public Schools' management. Our responsibility is to express an opinion on Meridian Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meridian Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Meridian Public Schools' compliance with those requirements.

In our opinion, Meridian Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Meridian Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Meridian Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Meridian Public Schools

Page 2

August 10, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
ESEA Title I - Carryover (02-03)		031530-0304	\$43,613
ESEA Title I - Regular (03-04)		041530-0304	302,658
Total Title I Grants to Local Educational Agencies			<u>\$346,271</u>
 Innovative Education Program Strategies	 84.298		
Title V (03-04)		04250-0304	1,236
 Technology Literacy Challenge Grants	 84.318	 044290-0304	 8,664
 Improving Teacher Quality	 84.367		
Title IIA (03-04)		040520-0304	100,599
Total Passed Through Michigan Department of Education			<u>\$456,770</u>
 Passed Through Midland Intermediate School District:			
Safe and Drug-Free Schools and Communities - State Grants	84.186		
Safe and Drug-Free Schools (03-04)		042860-0304	5,050
 <u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			 <u>\$461,820</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution:	10.550		
Entitlement Commodities		N/A	19,866
Bonus Commodities		N/A	3,477
Total Food Distribution			<u>\$23,343</u>
 School Breakfast Program	 10.553	 N/A	 47,568
 National School Lunch Program	 10.555	 N/A	 174,187
 <u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			 <u>\$245,098</u>
 <u>TOTAL FEDERAL AWARDS</u>			 <u><u>\$706,918</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$43,613	\$0	\$43,613	\$0
0	0	300,536	0	208,701	91,835
<u>\$0</u>	<u>\$0</u>	<u>\$344,149</u>	<u>\$0</u>	<u>\$252,314</u>	<u>\$91,835</u>
0	0	1,236	0	0	1,236
0	0	8,664	0	0	8,664
0	0	78,177	0	75,219	2,958
<u>\$0</u>	<u>\$0</u>	<u>\$432,226</u>	<u>\$0</u>	<u>\$327,533</u>	<u>\$104,693</u>
0	0	5,050	0	5,050	0
<u>\$0</u>	<u>\$0</u>	<u>\$437,276</u>	<u>\$0</u>	<u>\$332,583</u>	<u>\$104,693</u>
0	0	19,866	0	19,866	0
0	0	3,477	0	3,477	0
<u>\$0</u>	<u>\$0</u>	<u>\$23,343</u>	<u>\$0</u>	<u>\$23,343</u>	<u>\$0</u>
0	0	47,568	0	47,568	0
0	0	174,187	0	174,187	0
<u>\$0</u>	<u>\$0</u>	<u>\$245,098</u>	<u>\$0</u>	<u>\$245,098</u>	<u>\$0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$682,374</u>	<u>\$0</u>	<u>\$577,681</u>	<u>\$104,693</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

\$682,374

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund \$437,276

School Service Fund 245,098

TOTAL \$682,374

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 6 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Current Payments Per the Grant Section Auditor's Report (Form R 7120)	\$565,976
<u>Less:</u> State Funded Grants	
Driver Education	(6,529)
Breakfast Program	(10,159)
<u>Add:</u> Grants Passed Through Other Governmental Units:	
Midland Intermediate School District	
Drug-Free Schools (CFDA 84.186)	5,050
Entitlement and Bonus Commodities (CFDA 10.550)	<u>23,343</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>	<u><u>\$577,681</u></u>

MERIDIAN PUBLIC SCHOOLS- SANFORD, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.010

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

MERIDIAN PUBLIC SCHOOLS- SANFORD, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

2004-1) Title I (CFDA #84.010)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 10, 2004

To the Board of Education of
Meridian Public Schools

In planning and performing our audit of the general purpose financial statements of Meridian Public Schools for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Meridian Public Schools' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, Meridian Public Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Meridian Public Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS